



The Market Study of Low-Cost Airlines Operating in Thailand's Domestic Routes

¹Bhassakorn Chanpayom and ²Krit Witthawassamrankul

^{1,2}Kasem Bundit University

Abstract : The research aims to study the targeted market of the low cost airlines in Thailand, which is a growing industry from import-export business and tourism. The research explores the opinions of passengers towards the desired characteristics of low cost airlines (products and services), price, distribution channels (place) and promotion of the passengers from alternative modes of transportation in Eastern and Southern bus stations, and Northern and Northeastern train stations in order to develop marketing strategy and marketing plan from the marketing mixes. The researchers finally used the distributed 2,014 sets of questionnaires from the aforementioned alternative modes of transportation. Furthermore, the researchers interviewed the 50 relevant persons from tourism industry, rural students who come to study in Bangkok by airplane, non-frequent flyers, frequent flyers and passengers who prefer to use buses and trains. The study found that most passengers prefer Air Asia, Orient Thai and Nok Air respectively. The respondents informed that the low cost airlines should improve more on aviation safety, developing new routes with a reasonable price as well as offer promotion during low season period. In addition, airline should use total promotional pricing instead of advertising at low cost plus other additional surcharge. To increase customers' loyalty, the airlines should focus on aviation safety and fair pricing.

Keywords: Low Cost Airlines, Marketing Mixes, Thai Airlines

I. INTRODUCTION

Low cost airlines is the airline with necessary service provided; therefore, the airline save the cost and provide the short flight in domestic and neighbor country routes. The first low cost airline in the world was Southwest Airlines (the US), which began in 1971. It owned 25% of market share in the country. In 1991, Ryanair (Ireland) has started its business and then Easy jet (the UK) followed. In Asia-Pacific, Virgin Blue (Australia) has started in 2000, and then Air Asia (Malaysia) opened in 2001. Today, the low cost airlines are more than 280 airlines, globally. (<http://www.businessinsider.com/best-low-cost-airlines-in-the-world-skytrax-air-asia-2016-12/#10-azul-brazilian-airlines-1>, 2016)

Thailand began its low cost airline from Open Sky Policy which was enforced on 2002. Then the low cost

airlines have been permitted to fly domestically and regionally. The low cost airlines were pushed after the Greater Mekong Subregion (GMS) Collaboration of the Prime Minister of Thailand Thaksin Shinawatra and Goh Jok Tong, the Prime Minister of Singapore in order to promote tourism and trade center. The first low cost airline was Thai Air Asia in 2003(Chanpayom, 2003). The well-known Thai low cost airlines are One-Two-Go (Orient Thai) found in 2003 and Nok Air found in 2004.

Since low cost airlines in Thailand increase more importance from tourism and export-import business, the researcher studied more on the needs of targeted passengers towards low cost airlines in terms of marketing mixes.

II. RESEARCH OBJECTIVES

1. To know the desired characteristics of low cost airline of the target group (or targeted passengers)
2. To explore characteristics of potential passengers of the low cost airlines in Thailand.
3. To study the environmental factors affecting the low cost airline in Thailand (such as competitors, legal environment)

Research Questions

1. What are the desired characteristics of low cost airline of the target group?
2. What are the characteristics of potential passengers of the low cost airlines in Thailand?
3. What are the environmental factors affecting the low cost airline in Thailand?

Research Hypothesis

Marketing mixes (Product or Service, Price, Place and Promotion) affect the potential passengers of the low cost airlines and each passenger has different needs for the low cost airlines in Thailand.

Scope of the Research

The research aims to explore Thai passengers, who travel by airplane domestically; therefore, the area of the study were in Bangkok, Thailand such as Thai domestic airport (Don Muang Airport), Eastern and Southern bus

stations, and Northern and Northeastern train stations in Bangkok.

Significance of the Study

To create marketing strategies and develop the domestic low cost airline marketing plan from the results of the study by using marketing mixes (product or services, price, place and promotion).

Concepts and Theories

Low Cost Airline and Its Marketing Mixes

Low cost airlines are one brand, low price, one class and no-frills and simple pricing structure, while the full service airlines provide different classes such as first class, business class and deliver more on service such as food, entertainment and lounge (Holloway, 2008 and O'Connell & Williams, 2005). They often use low cost strategy by economies of scale and limit some services. Therefore, customers of low cost airline are price sensitive (Baker, 2014). Though, price is important but other factors such as product and services, distribution channel (place) and promotion are also important to their growth.

Marketing mixes (or 4 P's) consist of product (or service), price, place and promotion. The concept was used to understand customers, created marketing strategy and developed a marketing plan to get sales (Kotler and Keller, 2015). To have a successful marketing plan, the researcher explored the needs of diverse group customers (potential passengers). Therefore, this exploratory research does not determine the conceptual framework. The researcher allowed the respondents or the informants describe the desired characteristics of the low airlines and the related environmental factors.

Marketing Mixes of Low Cost Airline	
Product	brand name, service, design, feature
Price	promotional pricing, discrimination pricing
Place	kiosk, agent, airline company, application, website
Promotion	advertisement, sales promotion, online media, magazine

Table 1: Marketing Mixes for Low Cost Airline (Source: Researcher, 2016)

III. RESEARCH METHODOLOGY

This exploratory research combined both survey method (questionnaire instrument) and in-depth interview (interview instrument) as:

Survey Method

Population and Samples

The research assistants distributed the questionnaires to the expected low cost airline customers from major cities in every part of Thailand such as Chiang Mai, Khon Kaen, Phuket. In the beginning, the researcher planned to distribute 2,100 sets of questionnaires based on the calculated sample size of 2,000 sets of questionnaires plus 100 additional sets of questionnaires (or 5% incomplete questionnaire case). In the end, the researchers finally used 2,014 sets of questionnaires to analyze the result.

Sampling

The researcher used simple random sampling to the expected low cost airline customer (level B or middle income earners). The questionnaires were distributed at airport, train stations and bus stations, which are substitutable services in term of mode of transportation on July, 2016. The questionnaires were processed by using SPSS as descriptive statistics (i.e. frequency and percentage). The samples were selected based on distribution spots.

Content Validity and Reliability

In order to find the reliability of the questionnaires, the researcher did the pre-test by giving the 40 sets of corrected questionnaires from the 5 experts to the potential customers at the airport, train stations and bus stations on June, 2016. The reliability was higher than 0.85. The questionnaire was also corrected for content validity from the 5 experts from management and marketing.

In-Depth Interview

Population, Samples and Sampling

The researcher applied purposive sampling and used in-depth interviews with relevant 50 persons from 5 groups from tourism industry, rural students who come to study in Bangkok by airplane, non-frequent flyers, frequent flyers, and passengers who prefer to use buses and trains in order to cover the potential passengers (population) of low airline in Thailand. The informants (or interviewees) were classified in the below table. The in-depth interview was done by open discussion and used open-ended questions or free response covering the topics as feeling and expectation of passengers towards travelling by low cost airlines for domestic routes, the desired characteristics (products and services), price, distribution channels (place), and promotion of low cost airlines, and environmental factors affecting the low cost airline business.

Content Validity

The content validity was approved by the 5 experts in the fields of marketing and tourism, selected from lecturers and professionals.

In-Depth Interview with 50 Relevant Persons	
Group 1: Tourism Industry (10 persons)	
Personnel Officer (Airports of Thailand: AOT)	Auditor (Thai Airports Ground Services, Co., Ltd)
Office Manager (At World Travel Company)	Secretary to Assistant Managing Director (AOT)
Flight Attendant (Thai Airways: TG)	Secretary to Assistant Managing Director (Phuket Air)
Marketing Manager (Paripan Travel Agent)	Sales Executive (Tour of Siam Company)
Domestic Salesperson (Paripan Travel Agent)	Marketing and Sales Supervisor (Galileo Thailand)
Group 2: Rural Students who Come to Study in Bangkok by Airplane (10 persons)	
Undergraduate from Rangsit University	Undergraduate from Phranakhon Rajabhat University
Undergraduate from Bangkok University	Undergraduate from Bangkok University (International)
Undergraduate from Bangkok University	Undergraduate from Dhurakij Pundit University
Undergraduate from Sripatum University	Undergraduate from Assumption University
Undergraduate from Ramkhamhaeng University	Undergraduate from Ramkhamhaeng University (International)
Group 3: Non-Frequent Flyers (10 persons)	
Teacher (Ministry of Education)	Creative Senior Manager (Media Magnet, Nation Group)
Managing Director (Max Media Company)	Managing Director (Ch-Karnchang Company)
Housekeeper	Personnel Manager (Bangchak Petroleum Company)
Maid	Nurse (Siriraj Hospital)
Teacher (Pohchang Academy of Arts)	Engineering Lecturer (Mahanakom University of Technology)
Group 4: Frequent Flyers (10 persons)	
Inbound Tour Operator (At World Travel)	Country Industry Development Manager (DHL Company)
Administrative Assistant (US Embassy)	Managing Director (WOE Engineering Company)
Teacher (Ministry of Education)	Production Manager (Chalita Company)
Maid	General Manager (INTEL Communication Service)
Credit Specialist (EXIM Bank)	Production Manager (DTAC Strategic Partnering & Marketing)
Group 5: Passengers who Prefer to Use Buses and Trains	
Electrician (Krisada Nakhon Golf)	Ticketing Staff (At World Travel Company)
Salesperson (Max Media Company)	Salesperson (P.O.P. Exhibition Group Company)
Sales Tour	Salesperson (Computer Company)
Tour Operator (At World Travel Company)	International Sales Tour (Travel Agent)
Driver (Private Chauffeur)	Purchasing Officer (Dai Nippon Ink & Chemical Company)

Table 2: Informants of In-Depth Interview (Source: Researcher, 2016)

Results of the Questionnaires from the Respondents

Based on the demographic profiles, there are 882 males (40.8%) and 1,185 females (58.8%) and 7 not identified (0.4%). The largest portion of the ages fall between 31-40 years old (36.70%). The highest ratio for education level is bachelor (65%), the occupation of passengers are mostly employees and business owners (43.10%). The monthly income is around 22,000 Baht (40%). Therefore, it concluded that middle income earners are the majority in the study.

Refer to the questionnaire results of the respondents; airline safety is the most considered factor of the low cost airline. 667 (33.10%) ticked the factor and informed that the records of the low cost airline is the most important. The passengers chose inexpensive price as the second important factor for the low cost airline. Some added the comment on the free response part that they still believed that the low cost airline is not inexpensive. Some surcharge has not been included in the ticket price and the price should be announced clearly.

Factors	Numbers of Respondents	Percentage
Image of the Low Cost Airline	192	9.50
Service Provision	63	3.10
Modern Technology	111	5.50
Airline Safety	667	33.10
Inexpensive Price	587	29.10
Promotion	9	0.40
Flight Attendant Service	41	2.00
Social Influences	26	1.30
Convenient Reservation	61	3.00
E-Ticketing	3	0.10
No Reservation Required	22	1.10
Frequency of Flight	8	0.40
Travel Agent Influence	1	0.00
Travel Agent Reservation	5	20.00
Flight Schedule Determination	9	0.40
Fast Service by the Airlines	95	4.70
Other Factors	40	0.20
No Information	110	5.50
Total	2,014	100.00

Table 3: Results from 2,014 Questionnaires (Source: Researcher, 2016)

Results of the In-Depth Interview from the Relevant Persons

1. What are desired characteristics of low cost airlines of the target group (or target passengers)?

The passengers (informants) desired the low cost airlines which 1) set low price 2) provide high safety, 3) are convenient to travel, 4) have modern technology and 5) possess qualified helpful staffs, who facilitate reservation.

The passengers (informants) prefer the well-known brand with good safety records and they will buy the ticket at their convenience such as 7-11, department store, counter service, ATM machines of the commercial banks. They preferred promotion pricing such as buy 1 get 1 (ticket) and discount at low season. Some desired promotions are premium, games, collecting mileage.

Some passengers (informants) recommended that the low cost airlines should have fair price and announce the price on air. The flight should be on-time and safety. Some non-frequent flyers informed that they would not use the airline since they prefer bus, which stops near the community such as markets, while the low cost airline must stop at Don Muang Airport or local airports.

2. What are the environmental factors affecting the low cost airlines in Thailand?

Oil price fluctuation affects the low cost airline significantly. The price goes up and down. Therefore, the price is difficult to control. An increase in oil and fuel excise influences buying tickets of the low cost airline. However, the most important factors are the economic condition and income of passengers.

IV. CONCLUSION AND RECOMMENDATION

Based on the study, cost leadership and promotional pricing should be used for the low cost airline. Cost leadership is recommended to the mass, while promotional pricing is recommended to some passengers (such as travelers). The low cost airline are still believed that it is expensive for Thai and Thai people will have to pay more when they would like to fly to upcountry since there are not many local airports in Thailand like in the US and the EU. Passengers prefer to have the local airport in downtown and near business areas. Some passengers still use the slower vehicles instead of airplanes since they do not believe in punctuality of the airline and low cost airline safety. Many passengers suggest that low cost airlines should improve reservation procedure.

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